

Message Text

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PAGE 01 STATE 172734

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AMCONSUL STRASBOURG

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SUBJECT: CHURCH COMMITTEE REPORT ON ARAMCO ACTIVITIES

STRASBOURG PASS AMBASSADOR AKINS

1. FOLLOWING IS TEXT OF STATEMENT ISSUED AUGUST 7 BY
SENATOR CHURCH'S SUBCOMMITTEE ON MULTINATIONAL CORPORATIONS.

2. BEGIN TEXT: FOR THE PAST SEVEN MONTHS THE SUBCOMMITTEE
ON MULTINATIONAL CORPORATIONS HAS BEEN ENGAGED IN AN
INTENSIVE INVESTIGATION OF THE ACTIVITIES OF ARAMCO (ARABIAN
AMERICAN OIL COMPANY) AND ITS FOUR AMERICAN SHAREHOLDERS,
EXXON, MOBIL, TEXACO, AND STANDARD OIL COMPANY OF CALI-
FORNIA.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 STATE 172734

3. TODAY I AM RELEASING THE TRANSCRIPTS OF TWO SUB-

COMMITTEE EXECUTIVE SESSIONS AND A COLLECTION OF DOCUMENTS RELATING TO THIS INVESTIGATION. THE FIRST IS THE TESTIMONY OF JACK ANDERSON IN WHICH HE RESTATED TO THE SUBCOMMITTEE, UNDER OATH, CHARGES HE MADE ABOUT ARAMCO'S OPERATIONS IN A SERIES OF COLUMNS AND URGED US TO UNDERTAKE A DETAILED INVESTIGATION. THE SECOND IS THE SWORN TESTIMONY OF TOP EXECUTIVES OF THE STANDARD OIL COMPANY OF CALIFORNIA WITH RESPECT TO THE ARAMCO OPERATION. THE DOCUMENTS WERE OBTAINED BY THE SUBCOMMITTEE PURSUANT TO ITS SUBPOENA.

4. IN OUR JUDGMENT, THIS RECORD IS HIGHLY IMPORTANT TO AMERICAN UNDERSTANDING OF THE ROLE OF THE MULTINATIONAL OIL COMPANIES AND THEIR IMPACT ON AMERICAN FOREIGN POLICY. FURTHER, THE ISSUES IT RAISES WILL HAVE TO BE TAKEN INTO ACCOUNT BY THE RESPONSIBLE OFFICIALS WORKING ON BOTH U.S. ENERGY POLICY AND U.S. MIDDLE EAST POLICY.

5. IN SUMMARY THE RECORD SHOWS:

-- IN MAY 1973, THE SAUDI GOVERNMENT STRONGLY SUGGESTED THAT ARAMCO AND ITS PARENTS MOUNT A CAMPAIGN TO CHANGE THE U.S. POLICY OF SUPPORTING ISRAEL. THE COMPANIES FOLLOWED THESE INSTRUCTIONS AND REPORTED ON THEIR ACTIVITIES TO THE KING. THE CAPSTONE OF THEIR EFFORTS WAS A JOINT MEMORANDUM TO PRESIDENT NIXON ON OCTOBER 12 SIGNED BY THE ARAMCO CHIEF EXECUTIVES WHICH URGED A CHANGE IN THE U.S. POSITION.

-- THE UNITED STATES AMBASSADOR TO SAUDI ARABIA, JAMES AKINS, APPARENTLY DISAPPOINTED WITH HIS OWN ABILITY TO CHANGE POLICY, ADVISED THE COMPANIES TO APPROACH THE U.S. GOVERNMENT AT THE HIGHEST LEVEL TO HAMMER HOME THE POINT THAT U.S. MIDDLE EAST POLICY MUST CHANGE.

-- THE SAUDIS RELIED ON ARAMCO AND ITS PARENTS TO RUN THE EMBARGO FOR THEM RECOGNIZING THAT THE SAUDI GOVERNMENT LACKED THE CAPACITY TO ADMINISTER IT SMOOTHLY. ARAMCO COMPLIED WITH SAUDI WISHES TO THE LETTER, INCLUDING THE OPERATION OF A PRIMARY AND SECONDARY EMBARGO AIMED AT THE U.S. MILITARY.

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PAGE 03 STATE 172734

-- THE SAUDIS RECOGNIZED THE IMPORTANCE OF THE ASSISTANCE THEY RECEIVED FROM ARAMCO AND AT ONE POINT WAS TOLD BY A HIGH SAUDI OFFICIAL THAT IT WOULD BE REWARDED FOR ITS COOPERATION.

-- THE POPULAR IMPRESSION THAT SAUDI ARABIAN PRODUCTION CAN BE INCREASED BY TURNING A VALVE IS HIGHLY INACCURATE.

THE HIGH DEMAND FOR OIL IN 1972 LED TO EFFORTS TO EXPAND SAUDI PRODUCTION RAPIDLY. THESE EFFORTS WERE HAMPERED BY SERIOUS TECHNICAL DIFFICULTIES AND CONSTRUCTION SLIPPAGES. THEY REQUIRED MASSIVE CAPITAL OUTLAYS. THE RECORD SUGGESTS THAT ALTHOUGH SAUDI RESERVES CAN SUPPORT PRODUCTION OF 20 MILLION BARRELS A DAY, THE CONSTRUCTION OF THE FACILITIES TO MAKE THIS POSSIBLE WILL TAKE UNTIL AT LEAST 1985, AND IF OTHER TECHNICAL PROBLEMS ARISE, WILL BE DELAYED STILL FURTHER.

-- ABSENT THE SAUDI EMBARGO, ARAMCO MIGHT HAVE BEEN FORCED TO CUT PRODUCTION FOR TECHNICAL REASONS TO PROTECT THE ULTIMATE RECOVERABILITY OF THE FIELDS. THE EMBARGO TOOK ARAMCO OFF THE HOOK AND SHIFTED THE FOCUS OF THE SHORTAGE FROM THE TECHNICAL QUESTIONS TO THE POLITICAL ISSUES.

-- IN NEGOTIATIONS WITH THE SAUDIS THE PRIMARY INTEREST OF THE ARAMCO SHAREHOLDERS IS EXCLUSIVE CONTROL OF THE CRUDE OIL. ABSOLUTE PRICE IS OF LESS IMPORTANCE THAN AN ADVANTAGE OVER COMPETITORS IN OTHER COUNTRIES THROUGH PREFERENTIAL "BUY-BACK" ARRANGEMENTS. THESE COMPANY OBJECTIVES ARE NOT NECESSARILY BEST FOR THE AMERICAN CONSUMER AND THE PARAMETERS OF NEGOTIATIONS BETWEEN THE COMPANIES AND THE SAUDIS SHOULD BE SUBJECT TO CAREFUL U.S. GOVERNMENT SUPERVISION.

-- ONE ARAMCO SHAREHOLDER, MOBIL, WITH A SMALLER INTEREST THAN THE OTHERS, THREATENED TO MAKE A DEAL WITH THE SAUDIS OUTSIDE THE ARAMCO FRAMEWORK SO THAT IT WOULD NOT BE TIED TO ITS TEN PERCENT "EQUITY" INTEREST IN ARABIAN CRUDE.

6. DURING THE COURSE OF ITS INVESTIGATION, MR. ANDERSON, UNCLASSIFIED

UNCLASSIFIED

PAGE 04 STATE 172734

WITHOUT COMPROMISING HIS SOURCE COOPERATED FULLY WITH THE SUBCOMMITTEE AND ITS STAFF, ASSISTING IN OUR EFFORTS TO FIND THE DOCUMENTS HE DESCRIBED. I BELIEVE HE DEALT WITH THE SUBCOMMITTEE IN COMPLETE GOOD FAITH AND, HAD IT NOT BEEN FOR HIS EFFORTS, THE MATTERS WE HAVE LEARNED ABOUT MIGHT NEVER HAVE COME TO LIGHT.

7. MR. ANDERSON MADE A NUMBER OF STATEMENTS WITH RESPECT TO ARAMCO, MANY OF WHICH WERE SUBSTANTIATED BY THE HEARING RECORD AND THE DOCUMENTS OBTAINED. HE STATED THAT WHEN THE EMBARGO WAS LIFTED, SAUDI ARABIA WOULD NOT BE ABLE TO PRODUCE THE EXPECTED QUANTITIES OF OIL; THAT THE MANAGEMENT OF ARAMCO WAS CRITICIZED FOR NOT DOING ADEQUATE DEVELOPMENT DRILLING; THAT INCREASED PRODUCTION HAD VENTED ENORMOUS QUANTITIES OF NATURAL GAS WHICH HAD TO BE

FLARED; THAT ARAMCO HAD CALLED FOR TECHNICAL ASSISTANCE FROM STANDARD OIL OF CALIFORNIA; THAT SOCAL HAD DONE ANALYSES OF HOW MUCH OIL COULD BE PRODUCED DOMESTICALLY IF THE PRICE WENT UP; THAT KING FAISAL HAD ORDERED AND ARAMCO HAD IMPLEMENTED A DIRECT AND INDIRECT EMBARGO OF U.S. ARMED FORCES; AND THAT THE ARAMCO MANAGEMENT EXPECTED THE COMPANY TO BE NATIONALIZED. IN ONE FORM OR ANOTHER THESE STATEMENTS ARE ALL SUBSTANTIATED BY THE RECORD. HOWEVER, TWO OTHER ALLEGATIONS OF MR. ANDERSON: THAT THE COMPANY WAS DELIBERATELY OVERPRODUCING ITS FIELDS AND THAT THE COMPANY ENCOURAGED THE SAUDIS TO INCREASE THE POSTED

PRICE OF CRUDE OIL WERE NOT SUBSTANTIATED.

8. AS FOR THE DOCUMENTS MR. ANDERSON DESCRIBED, STANDARD OIL OF CALIFORNIA WAS IDENTIFIED AS THE SOURCE. HE FURNISHED THE SUBCOMMITTEE WITH A COPY OF ONE STANDARD OIL DOCUMENT RELATING TO PRODUCTION PROBLEMS. CAREFUL INVESTIGATION, INCLUDING A SEARCH OF THE STANDARD OIL COMPANY FILES, AND THE QUESTIONING UNDER OATH OF THE ALLEGED AUTHOR, SUPPORTS THE CONCLUSION THAT THE DOCUMENT IS AN ARTFUL FORGERY. FURTHER, DESPITE AN EXHAUSTIVE SEARCH, THE SUBCOMMITTEE STAFF WAS UNABLE TO FIND THE OTHER SPECIFIC DOCUMENTS WHICH MR. ANDERSON DESCRIBED. NOTING IN THE THOUSANDS OF DOCUMENTS REVIEWED BY THE STAFF OR IN THE DOZENS OF INTERVIEWS CONDUCTED SUPPORTS A UNCLASSIFIED

UNCLASSIFIED

PAGE 05 STATE 172734

FINDING THAT THE COMPANY DELIBERATELY OVERPRODUCED THE SAUDI FIELDS OR ENCOURAGED AN INCREASE IN THE POSTED PRICE OF CRUDE OIL.

9. BECAUSE OF THE POSSIBILITY THAT THE DOCUMENT WHICH MR. ANDERSON RECEIVED WAS FORGED WITH THE INTENT TO INFLUENCING A CONGRESSIONAL INVESTIGATION, I HAVE ASKED THAT THE F.B.I. INVESTIGATE TO DETERMINE WHETHER THERE HAS BEEN A VIOLATION OF FEDERAL LAW.

10. THE FACTS IN THE TRANSCRIPT AND THE DOCUMENTS WILL BE DEALT WITH MORE COMPLETELY AS PART OF THE SUBCOMMITTEE'S FORTHCOMING REPORT ON THE MULTINATIONAL PETROLEUM COMPANIES. HOWEVER, BECAUSE NEGOTIATIONS WITH THE SAUDIS ARE NOW IN PROGRESS, I THOUGHT IT IMPORTANT THAT THIS RECORD WHICH SHOWS THE EXTENT TO WHICH THE COMPANIES ARE HOSTAGES OF THE SAUDIS AND FORCED TO OPERATE AT THEIR BECK AND CALL, BUT WHICH ALSO SHOWS A DEGREE OF SAUDI DEPENDENCE ON U.S. TECHNOLOGY, SHOULD BE MADE PUBLIC. END TEXT. KISSINGER

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